

**OGDEN PREPARATORY ACADEMY,
INC.**

Financial Statements

**Government Auditing Standards and Other Required
Reports**

Years Ended June 30, 2006 and 2005

(With Independent Auditors' Report Thereon)

OGDEN PREPARATORY ACADEMY, INC.
Financial Statements
Government Auditing Standards and Other Required Reports
Years Ended June 30, 2006 and 2005

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**The Board of Directors
Ogden Preparatory Academy, Inc.**

Independent Auditors' Report

We have audited the accompanying statements of financial position of Ogden Preparatory Academy, Inc. (a nonprofit corporation) as of June 30, 2006 and 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based upon our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ogden Preparatory Academy as of June 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 3, 2006 on our consideration of Ogden Preparatory Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Schmitt, Giffels, Linn: C.P.C.
October 3, 2006



OGDEN PREPARATORY ACADEMY, INC.
Statements of Financial Position
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>ASSETS</u>		
Current assets:		
Cash	\$ 186,532	\$ 191,461
Accounts receivable	13,743	23,879
Total current assets	200,275	215,340
Property and equipment, net	425,680	241,376
Other assets	-	400
	<u>\$ 625,955</u>	<u>\$ 457,116</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 50,413	\$ 89,023
Related party payables	1,915	26,678
Accrued liabilities	162,364	77,918
Total current liabilities	214,692	193,619
Related party note payable	20,450	38,768
Total liabilities	235,142	232,387
Net assets:		
Unrestricted	390,813	224,729
Temporarily restricted	-	-
Permanently restricted	-	-
Total net assets	390,813	224,729
	<u>\$ 625,955</u>	<u>\$ 457,116</u>

See accompanying notes and independent auditors' report.

OGDEN PREPARATORY ACADEMY, INC.
Statements of Activities and Changes in Net Assets
Years Ended June 30, 2006 and 2005

	<u>June 30, 2006</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and gains:			
Contributions - cash	\$ -	\$ -	\$ -
Donations - in-kind	-	-	-
Grants:			
Federal	-	383,246	383,246
State	2,319,050	-	2,319,050
Local	20,355	-	20,355
Fund raising	-	-	-
Lunch sales	53,764	-	53,764
Miscellaneous	-	-	-
Net assets released from restriction	<u>383,246</u>	<u>(383,246)</u>	<u>-</u>
Total revenue, net of assets released from restriction	<u>2,776,415</u>	<u>-</u>	<u>2,776,415</u>
Expenses:			
Instructional - teachers	1,626,443	-	1,626,443
Instructional - aides	39,555	-	39,555
Administration operations	153,743	-	153,743
Student support service	133,858	-	133,858
Operation and maintenance of facility	656,732	-	656,732
Student transportation	-	-	-
Depreciation	-	-	-
Total expenses	<u>2,610,331</u>	<u>-</u>	<u>2,610,331</u>
Increase in net assets	166,084	-	166,084
Net assets, beginning	<u>224,729</u>	<u>-</u>	<u>224,729</u>
Net assets, ending	<u><u>\$ 390,813</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 390,813</u></u>

See accompanying notes and independent auditors' report.

OGDEN PREPARATORY ACADEMY, INC.
Statements of Activities and Changes in Net Assets, Continued
Years Ended June 30, 2006 and 2005

	<u>June 30, 2005</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and gains:			
Contributions - cash	\$ -	\$ -	\$ -
Donations - in-kind	1,563	-	1,563
Grants:			
Federal	-	369,992	369,992
State	1,023,479	140,614	1,164,093
Local	12,650	-	12,650
Fund raising	1,925	-	23,797
Lunch sales	23,797	-	1,925
Miscellaneous	-	-	-
Net assets released from restriction	<u>510,606</u>	<u>(510,606)</u>	<u>-</u>
Total revenue, net of assets released from restriction	<u>1,574,020</u>	<u>-</u>	<u>1,574,020</u>
Expenses:			
Instructional - teachers	776,900	-	776,900
Instructional - aides	29,111	-	29,111
Administration operations	135,105	-	135,105
Student support service	77,587	-	77,587
Operation and maintenance of facility	289,825	-	289,825
Student transportation	2,938	-	2,938
Depreciation	<u>23,125</u>	<u>-</u>	<u>23,125</u>
Total expenses	<u>1,334,591</u>	<u>-</u>	<u>1,334,591</u>
Decrease in net assets	239,429	-	239,429
Net assets, beginning	<u>(14,700)</u>	<u>-</u>	<u>(14,700)</u>
Net assets, ending	<u>\$ 224,729</u>	<u>\$ -</u>	<u>\$ 224,729</u>

OGDEN PREPARATORY ACADEMY, INC.
Statements of Cash Flows
Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Increase in net assets	\$ 166,084	\$ 239,429
Adjustments to reconcile increase in net assets to net cash flows from operating activities:		
Depreciation	-	23,125
Change in operating assets and liabilities:		
Increase other assets	400	1,000
Increase in accounts payable	(38,992)	(5,217)
Increase in related party payable	(24,763)	(8,967)
Increase in accrued payables	84,446	13,670
(Increase) in grants receivable	10,136	74,637
Total adjustments	<u>31,227</u>	<u>98,248</u>
Net cash flows from operating activities	<u>197,311</u>	<u>337,677</u>
Cash flows from investing activities:		
Acquisition of property and equipment	<u>(184,304)</u>	<u>(165,212)</u>
Net cash flows from investing activities	<u>(184,304)</u>	<u>(165,212)</u>
Cash flows from financing activities:		
Issuance/(repayment) of related party note payable	<u>(18,318)</u>	<u>(9,157)</u>
Net cash flows from financing activities	<u>(18,318)</u>	<u>(9,157)</u>
Net change in cash	(5,311)	163,308
Cash, beginning	<u>191,461</u>	<u>28,153</u>
Cash, ending	<u>\$ 186,150</u>	<u>\$ 191,461</u>

See accompanying notes and independent auditors' report.

OGDEN PREPARATORY ACADEMY, INC.
Notes to Financial Statements
June 30, 2006 and 2005

(1) Summary of Significant Accounting Policies

This summary of significant accounting policies of Ogden Preparatory Academy (the Academy) is presented to assist in understanding the Academy's financial statements. The financial statements and notes are representations of the Academy's management, who are responsible for their integrity and objectivity.

Operations and Purpose

The Academy was formed in 2003 and is a non-profit institution, which was organized under the non-profit corporation laws of the State of Utah. The Academy was organized by a group of parents, teachers, and business professionals to provide an educational opportunity in Ogden City that was not governed by the local school district. The Academy was founded on the premise that parents as partners in the learning process leads to success for each child. Every parent is asked to be involved with the school either through committees or through volunteering time in the classroom or with other needs the school may have as they arise.

Method of Accounting

The Academy prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles.

Cash Equivalents

The Academy considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents.

Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

OGDEN PREPARATORY ACADEMY, INC.
Notes to Financial Statements, Continued
June 30, 2006 and 2005

(1) Summary of Significant Accounting Policies, Continued

Restrictions on Net Assets

Unrestricted Net Assets – The unrestricted net asset balance pertains primarily to amounts that are not designated for specific purposes apart from minimum school requirements.

Temporarily Restricted Net Assets – Donor restricted support is reported as an increase in temporarily restricted net assets. Temporarily restricted net assets are funds that are subject to restrictions of time or use by the donor. The restrictions are removed after the specified dates or after the occurrence of an event specified by the donor. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. There were no temporarily restricted net asset balances as of June 30, 2006 and 2005.

Permanently Restricted Net Assets – Permanently restricted net assets represents the cumulative amount of endowment contributions received. Endowment contributions are principal amounts donated with the agreement that only future earnings on the principal be available for the operations of the Academy. There were no permanently restricted net asset balances as of June 30, 2006 and 2005.

Contributions

The Academy has adopted SFAS No. 116, Accounting for Contributions Received and Contributions Made. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Property and Equipment

Property and equipment is recorded at cost. The Academy provides for depreciation of property and equipment using the straight-line method in accordance with accounting principles generally accepted in the United States of America for nonprofit organizations. The estimated useful lives are between three and ten years and individual items with a purchase cost over \$500 are depreciated rather than expensed.

Depreciation expense for the years ended June 30, 2006 and 2005 were \$51,989 and \$23,125, respectively.

OGDEN PREPARATORY ACADEMY, INC.
Notes to Financial Statements, Continued
June 30, 2006 and 2005

(1) Summary of Significant Accounting Policies, Continued

Tax Status

The Academy is exempt from federal income taxes or excise taxes under Section 501(c)(3) of the Internal Revenue Code.

(2) Property and Equipment

Property and equipment at June 30, 2006 and 2005 are comprised of the following:

	<u>2006</u>	<u>2005</u>
Furniture and equipment	\$ 145,709	\$ 57,367
Computers	82,293	43,579
Textbooks	208,178	158,690
Library books	23,816	2,773
Audio and visual materials	4,730	3,230
Capitalized software	29,845	1,290
Capital improvements	<u>12,650</u>	<u>4,000</u>
	507,221	270,929
Less accumulated depreciation	<u>(81,541)</u>	<u>(29,553)</u>
	\$ <u><u>425,680</u></u>	\$ <u><u>241,376</u></u>

(3) Related Party Transactions

Accounts Payable Transactions

The Academy received non-interest bearing advances from Academica Corporation (Florida), an affiliate, for start up loans and payroll expenses. For the years ended June 30, 2006 and 2005, related party accounts payable transactions totaled \$1,915 and \$26,678, respectively. The amount is due in one year.

OGDEN PREPARATORY ACADEMY, INC.
Notes to Financial Statements, Continued
June 30, 2006 and 2005

(3) Related Party Transactions, Continued

Operating Lease Agreement

The Academy leases a facility under an operating lease with Ogden School Development, LLC, a limited liability company related by common management. Rental expense recognized under this lease for the years ended June 30, 2006 and 2005 was \$437,999 and \$173,203, respectively. Rent is adjusted during the life of the lease based on the consumer price index.

The future minimum lease payments under this operating lease are as follows:

<u>Years Ending June 30,</u>		<u>Amount</u>
2007	\$	521,220
2008		521,220
2009		521,220
Thereafter		-
	\$	<u>1,563,660</u>

(4) Grants

The Academy received grants from federal, state, and local sources. The total amount of grants received for the years ended June 30, 2006 and 2005 was \$2,776,415 and \$918,252, respectively.

(5) Retirement Plan

The Academy has a defined contribution retirement plan covering all full-time, salaried employees. The plan is administered by A Plus Benefits, an outsourcing company that the Academy has contracted with to perform its payroll and retirement functions. Eligible employees may contribute money into an account, at their option and discretion. The Academy does not match employee contributions. The plan accepts new enrollments at any time in the year after completing a 90-day probationary period. Contribution changes can be made quarterly on or before the 15th day of the last month of the calendar quarter. Contributions to the plan for the years ended June 30, 2006 and 2005, totaled \$117,883 and \$16,733, respectively.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**The Board of Directors
Ogden Preparatory Academy, Inc.**

We have audited the financial statements of Ogden Preparatory Academy, Inc. as of and for the year ended June 30, 2006, and have issued our report thereon dated October 3, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ogden Preparatory Academy's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ogden Preparatory Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.



This report is intended solely for the information of the audit committee, administration and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Schmitt, Griffiths, Linton & Co., P.C.

October 3, 2006

Independent Auditors' Report
State of Utah Legal Compliance

The Board of Directors
Ogden Preparatory Academy, Inc.

We have audited the basic financial statements of Ogden Preparatory Academy, a nonprofit corporation, for the year ended June 30, 2006, and have issued our report thereon dated October 3, 2006. As part of our audit, we have audited Ogden Preparatory Academy's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2006. The Academy received the following major state assistance programs from the State of Utah:

Minimum School Program

Our audit also included test work on the Academy's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Cash Administration
Purchasing Requirements
Budgetary Compliance
Other General Compliance Issues

The administration of Ogden Preparatory Academy, Inc. is responsible for the Academy's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.



The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Ogden Preparatory Academy, Inc., complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of service allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

Schmidt, Griffiths, Smith : C.P.C.

October 3, 2006

OGDEN PREPARATORY ACADEMY, INC.
State Compliance Schedule of Audit Findings
June 30, 2006

CURRENT YEAR FINDINGS – STATE COMPLIANCE

05-1 Treasury Bond (REPEAT FINDING)

Condition: The State of Utah requires that every public treasurer shall secure a fidelity bond, based on the current year's budgeted gross revenues, which includes all funds collected or handled by the public treasurer. In the current year, the Academy did not secure a fidelity bond based on the current year's budgeted gross revenue.

Recommendation: We recommend that the Academy secure a fidelity bond based on fiscal year 2005 budgeted gross revenues.

Administration Response: OPA and its administration will secure a bond as recommended.

Status: Academica West will purchase a Treasury bond on their Treasurer to fulfill this requirement.

PRIOR YEAR FINDINGS – STATE COMPLIANCE

05-2 Purchasing Policy

Condition: The State of Utah requires that purchasing procedures and policies be documented that contain certain provisions, including purchases of supplies, services and construction. Our audit procedures indicated that the purchasing policy adopted by the Academy did not comply with some of the State of Utah's purchasing procedures and policies.

Recommendation: We recommend that the Academy review their current purchasing policy to ensure it fully complies with all of the State of Utah's purchasing procedures and policies.

Administration Response: OPA will review its purchasing policy and make the necessary changes so that it is in compliance with state guidelines.

Status: Resolved

OGDEN PREPARATORY ACADEMY, INC.
State Compliance Schedule of Audit Findings, Continued
June 30, 2006

PRIOR YEAR FINDINGS – STATE COMPLIANCE, Continued

05-3 Budgetary Policy

Condition: The State of Utah requires that expenditures do not exceed the final adopted budget expenditures. During the fiscal year ended June 30, 2006, the Academy's expenditures exceeded the adopted budget amounts.

Recommendation: We recommend that the Academy establish controls necessary to ensure that expenditures do not exceed the appropriated final adopted budget expenditures.

Administration Response: OPA acknowledges that expenditures exceeded the budget due to school expansion to include a middle school. OPA will take the necessary steps to make sure that expenditures are within budgeted amounts.

Status: Resolved

05-4 Cash Management

Condition: The State of Utah requires that receipts be deposited within three business days of being received. During the fiscal year ended June 30, 2006, the Academy did not always deposit receipts within the three-day period.

Recommendation: We recommend that the Academy establish controls necessary to ensure that receipts are deposited within three business days of being received.

Administration Response: OPA will take actions to assure that deposits are made within three business days.

Status: Resolved